

Message Text

UNCLASSIFIED

PAGE 01 SANTIAGO 03128 041952Z

15

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 PA-04 PRS-01 USIA-15 AGR-20 FEA-02 INT-08

ABF-01 A-01 DRC-01 /187 W
----- 014107

R 041502Z JUN 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8827

UNCLAS SANTIAGO 3128

E. O.11652:N/A

TAGS: ECON CI AFSP ALLOW

SUBJ: PRICE RISES IN KEY CONSUMPTION AREAS SPUR
GALLOPING INFLATION

REF: A) SANTIAGO 2372; B) SANTIAGO 2531; C) SANTIAGO A-56
D) SANTIAGO A-99

1. THE CONSUMER PRICE INDEX (CPI) ROSE 87 PERCENT DURING THE FIRST FOUR MONTHS OF 1974 (REF B). IN LATE APRIL PRICES INCREASED FOR BEER AND SOFT DRINKS (50 PERCENT) AND DETERGENTS (81 PERCENT), SO THAT THESE INCREASES WILL FALL MAINLY IN MAY CPI COMPUTATION. A MAY 1 NATIONWIDE WAGE READJUSTMENT (MINIMUM OF 30 PERCENT) WAS FOLLOWED BY ANOTHER WAVE OF PRICE RISES AS BUSINESSES SOUGHT TO PASS ON INCREASED COSTS. SINCE VERY FEW PRICES ARE CONTROLLED IT IS HARD TO DETERMINE THE AMOUNTS (SEE REF C FOR LIST OF PRICE CONTROL ITEMS).

2. BETWEEN MAY 15 AND MAY 25 ANOTHER SERIES OF GOC AUTHORIZED PRICE INCREASES TOOK PLACE: PUBLIC TRANSPORTATION (100 PERCENT); TIRES (100 PERCENT); SIX FOOD ITEMS INCLUDING POWDERED MILK, CONDENSED MILK AND SOLUBLE COFFEE (20 TO UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SANTIAGO 03128 041952Z

40 PERCENT); GASOLINE (WEIGHTED AVERAGE OF 75 PERCENT);

HEATING OIL (62 PERCENT); KEROSENE (60 PERCENT HOME DELIVERY, 8 PERCENT AT THE PUMP); BOTTLED GAS (13 PERCENT); AND CITY GAS (330 PERCENT). THESE ITEMS COMBINED WILL DIRECTLY ADD 6.17 POINTS TO THE CPI DIVIDED BETWEEN MAY AND JUNE, WITH IMPORTANT AND CONTINUING INDIRECT EFFECTS AS MORE EXPENSIVE FUEL AFFECTS PRODUCTION AND DISTRIBUTION COSTS. RELATIVELY SMALL INCREASE IN PRICE OF KEROSENE AT THE PUMP IS INTENDED BY GOC TO REDUCE IMPACT ON LOWER INCOME GROUPS WHICH DEPEND HEAVILY ON THIS FUEL FOR COOKING AND (DURING PRESENT WINTER MONTHS) HEATING.

3. EMBASSY ESTIMATES THAT MAY INFLATION RATE WILL BE AT LEAST 20 PERCENT. IN JUNE ELECTRICITY RATES WILL INCREASE BY ABOUT 200 PERCENT AND THE PRICE OF POTABLE WATER WILL RISE BY 107 PERCENT. WE ARE TOLD THAT BREAD PRICES WILL ALSO BE RAISED SHARPLY. THESE ITEMS HAVE HEAVY CPI WEIGHTS. WITH THESE INCREASES, COMBINED WITH THE CARRYOVER FROM THE MAY PRICE RISES, WE ANTICIPATE JUNE INFLATION WILL REMAIN VERY HIGH ASSUMING MAY AND JUNE RATES BOTH AT 20 PERCENT, INFLATION FOR FIRST SIX MONTHS 1974 WILL AMOUNT TO NEARLY 170 PERCENT. POPPER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COST OF LIVING, INFLATION, RETAIL PRICE INDEXES, PRICE CONTROLS, ECONOMIC DATA, ECONOMIC ESTIMATES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANTIA03128
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740142-0214
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740676/aaaacoaf.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: A) SANTIAGO 2372; B) SANTIAGO 2531;; C) SANTIAGO A-56
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 26 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 APR 2002 by phillir0>; APPROVED <08 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRICE RISES IN KEY CONSUMPTION AREAS SPUR GALLOPING INFLATION
TAGS: ECON, AFSP, ALOW, CI
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005